Grand Union Annual Report -- 1982

America's Corporate Foundation; 1982; ProQuest Historical Annual Reports
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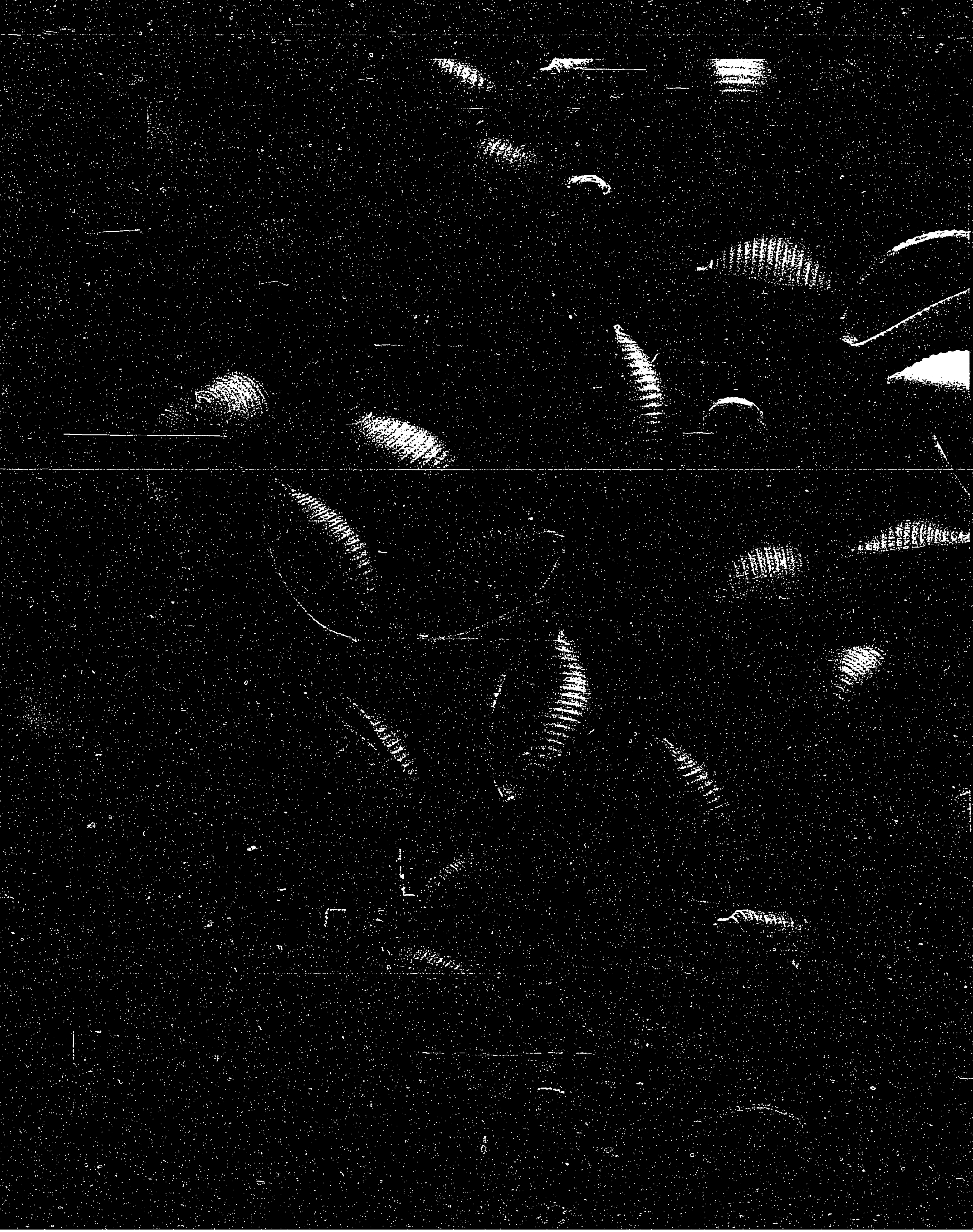


CONTENTS

USEFUL POCKET FOOD GUIDES, HANDSOMELY ILLUSTRATED, HAVE BEEN PREPARED FOR ALL SPECIALTY DEPARTMENTS

THE GRAND UNION COMPANY

FINANCIAL HIGHLIGHTS

	52 WEEKS ENDED APRIL 2, 1983	53 WEEKS ENDED APRIL 3, 1982
Sales	$3,519,341,000	$4,137,447,000
Income (loss) before income taxes	$ (19,934,000)	$ 29,173,000
Net income	$ 226,000	$ 24,652,000
Working capital	$ 96,573,000	$ 119,385,000
Ratio of current assets to current liabilities	1.35 to 1	1.43 to 1
Number of retail outlets at fiscal year end	610	732

COLORFUL PASTA SHELLS OF SPINACH AND CARROT ARE AMONG MANY DELECTABLE CHOICES FROM *THE TASTE PLACE*

CHAIRMAN'S LETTER

Grand Union made substantial progress in 1982 in its program to convert its core operations from conventional supermarkets to full service Food Markets. Since the beginning of fiscal 1982, 72 additional Food Markets were brought-on-stream, bringing the total to 85. Sales in these stores continue to exceed our original expectations and currently account for 25 per cent of total company sales.

The restructuring and capital development programs which were initiated in 1981, and which we expect to result in impressive long-term growth for the company, have been very costly; this has been reflected in operating results for 1982.

Sales for the 52-week fiscal year ended April 2, 1983, totaled $3,519,341,000 as compared with sales of $4,137,447,000 during the 53-week fiscal year ended April 3, 1982. The company reported net income for the year of $226,000, compared with net income of $24,652,000 for the 53 weeks ended April 3, 1982. Although these profit results are disappointing, we knew this was going to be a tough year, reflecting both general economic conditions and the short-term adverse impacts resulting from the renovation process of our most profitable stores. I noted in last year's report, "there is no doubt that the 1982 fiscal year will be difficult in terms of profitability."

At the end of the year, we were operating 610 stores as compared with 856 stores at the end of the 1980 fiscal year. This reduction resulted from a decision to concentrate activities within selected market areas. In addition, our previously announced major store conversion and renovation programs caused a disruption of sales in a large number of stores, including many of the company's best units, with a resultant temporary decrease in profits.

During the year, Grand Union invested $116 million in its capital development program, the largest sum ever spent on development in the 111-year history of our organization. This was the beginning of a major capital development program which focuses on development of full service Food Markets as the core of Grand Union's future operations. Operations, property disposals and capital leases provided approximately $86 million of our required development funds.

Since the beginning of 1982, the emphasis of our capital development program has been on Food Markets, a concept which Grand Union pioneered in 1979 and which has achieved widespread acclaim and much emulation.

We have created and will continue to develop a complete, one-stop food store which provides our shoppers with a full range of perishable, international, and ethnic foods, much of which is offered on a service basis, in addition to a full variety of grocery products, all at fully competitive prices.

As our concept has evolved, so has the size of the store which we operate. We are now seeking locations suitable for Food Markets in the 40,000 to 50,000-square-foot range as compared to our original concept of 24,000 to 28,000 square feet. Where the market potential exists, we are seeking suitable locations for our newest concept, the Food Center, which requires upwards of 60,000 square feet.

As anticipated in the second year of our six-year capital development plan, we will continue the aggressive program of renovating our most profitable and highest volume, large supermarkets into Food Markets, with only a minor part of the allocated capital being devoted to smaller Community Stores and BASICS Food Warehouses. This year, however, substantial amounts will also be spent on almost all existing supermarkets, still the mainstay of our business, to ensure that they continue to professionally and competently care for our customers'

needs until such time as they can be renovated into the newer concept.

Grand Union is truly a proud company on the move with a clear future direction and the resources to reach all of its goals.

We are now experimenting with a number of new departmental concepts. These include the Sweet Spot, featuring an assortment of domestic and imported candies and sweet goods; the Cookie Heaven where we bake our own high-quality cookies and prepare our own fudge; expanded delicatessen departments where tasty treats are prepared by professional chefs, and specially-designed produce ripening racks to assure the utmost freshness for our fruits.

In the Taste Place, a specialty food island near our delicatessen department, we have expanded our cheese line to close to 200 varieties. The Cooks' Harvest, a department introduced last fall, offers some 250 varieties of natural foods displayed in bulk.

As customers increase their nutritional awareness and change their eating habits, Grand Union is supplying them with dietary information and colorful and easy-to-read booklets describing the full range of our products. We have also developed a comprehensive recipe card program for our specialty departments.

The measure of a successful retail food chain is innovative stores, high-quality and adventurous products, knowledgeable and friendly people, and excellent service. With our new departments, we had a need to design new training programs to properly equip our people with the new skills needed to deliver proper service. We have compiled authoritative and complete manuals for all specialty departments and are utilizing state-of-the-art audio-visual equipment.

Competitive pressures, intensified during the economic slowdown, and continued escalations in the cost of doing business, have been continuing adverse pressures on our operating results. However, there are signs that the long-awaited economic recovery is beginning to ripen, signalling better economic conditions for the future.

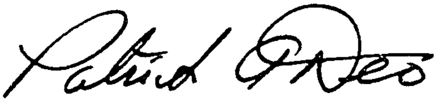
A number of key management changes have occurred this year. Henry T. Johnson was elected Executive Vice President in charge of Marketing and Merchandising and a Director of the company. He replaced Ernest H. Berthold, a Director and Executive Vice President who took early retirement after 31 years of dedicated service. James L. Zahner was elected Senior Vice President in charge of Management Information Systems and Logistics.

Charles T. Lanktree was elected Corporate Vice President in charge of Marketing, while Kenneth A. Brown and Michael J. Larkin, both Regional Vice Presidents, were elected Corporate Vice Presidents in recognition of their outstanding service to the company. Bryan Springthorpe was elected Corporate Vice President, Distribution.

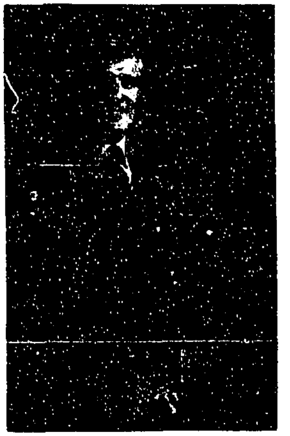
The repositioning of the company will continue in fiscal 1983 as more stores are renovated and completed units begin to emerge into the first stages of maturity and as we further refine our Food Market support systems.

Our customers and employees have been patient as Grand Union has undergone this necessary change to prepare it for its future destiny as the finest food retailing organization in the United States. All indications point to a blossoming of this future beginning in fiscal 1984.

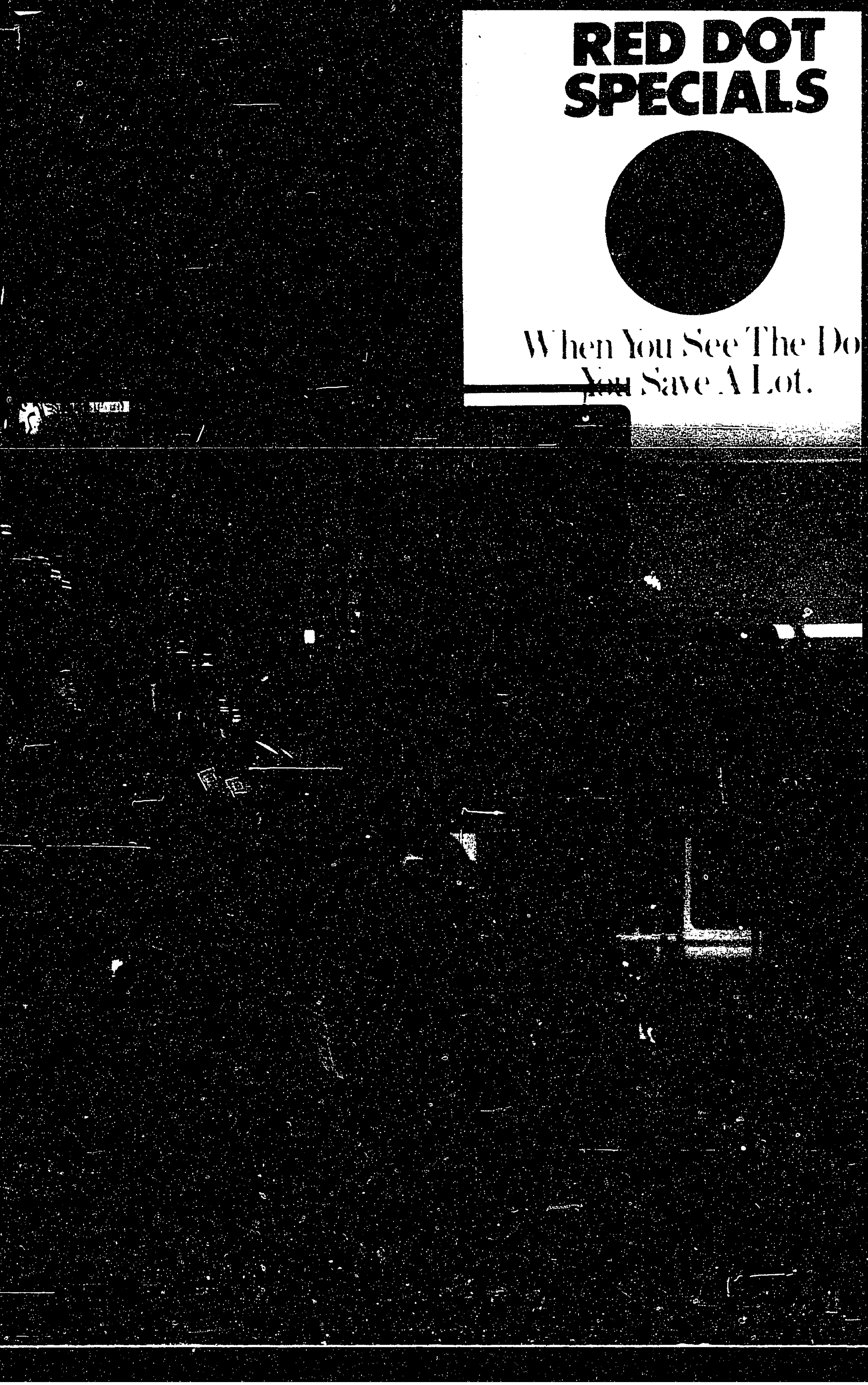
I would like to extend a very special thanks to our 31,000 employees in 15 states and the U.S. Virgin Islands who have supported us through these trying periods and continue to give unselfishly and loyally of their time and talents.



JULY 26, 1983



PATRICK A DEO IS CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER


RED DOT SPECIALS
When You See The Do
You Save A Lot.

REVIEW OF OPERATIONS

An exciting new food store concept was developed by the company this year and is now going into the implementation stage. Based upon our success with Food Markets, we have developed plans for a Food Center, a 50,000 to 60,000-square-foot facility that would incorporate all of the features of a Food Market, but in expanded fashion and a unique configuration.

A number of service departments for fresh cheese, coffee, teas, and the delicatessen department would be combined into a large piazza located in the center of the store. In addition, the Food Center could have a 200-seat restaurant, possibly operating 24 hours.

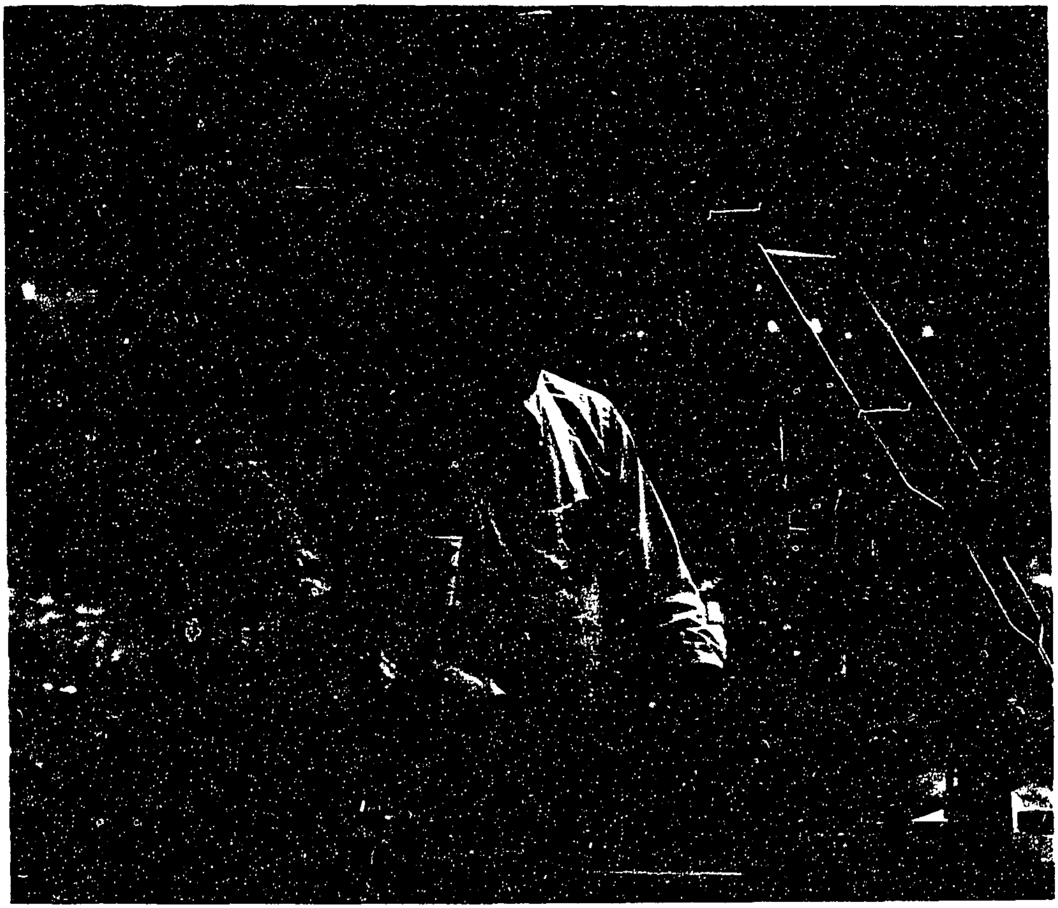
Prototypes of a number of Food Center departments will be introduced in our Paramus, N.J., store which is expected to re-open after renovation in August. Plans are underway for construction of Food Centers utilizing the full concept both in New York State and Georgia.

Meanwhile, we are continuing to develop new Food Markets throughout the chain as well as Community Stores, smaller versions of Food Markets with selected service departments.

A major focal point of our store development activity this year is concentration on our existing supermarkets, the bulk of our operations.

All supermarkets are being evaluated for necessary renovations and each unit will undergo some type of major or minor renovation this year.

ARCHITECT'S MODEL OF OUR FOOD MARKET IN PARAMUS, NEW JERSEY, SHOWS THE NEWEST GRAND UNION LOOK



OUR TRADITION OF FINE PRODUCE AND HELPFUL SERVICE EXPANDS WITH SUCH INNOVATIONS AS THIS EFFICIENT MECHANICAL CORER.

FAR LEFT

INVITING AND INFORMATIVE DISPLAYS ENHANCE A WIDE ASSORTMENT OF IMPORTED AND DOMESTIC VINTAGES IN OUR NEWLY DESIGNED WINE DEPARTMENTS

SELECTED PRIVATE LABEL ITEMS WITH NO SUGAR ADDED REFLECT THE TREND TOWARD LIGHTER TASTES

PRIVATE LABEL ITEMS WITH NO SALT ADDED RESPOND TO DEMAND FOR LOWER SODIUM CONTENT

ATTRACTIVELY SIMPLE PACKAGES AT ATTRACTIVELY LOW PRICES DISTINGUISH THE QUALITY PRODUCTS IN OUR GENERIC *BASICS* LINE

PRODUCT DEVELOPMENT

While Grand Union, Big Star and Weingarten stores are unique in their design, one of the crucial elements which sets our operations apart from competitors is the full and varied range of our products.

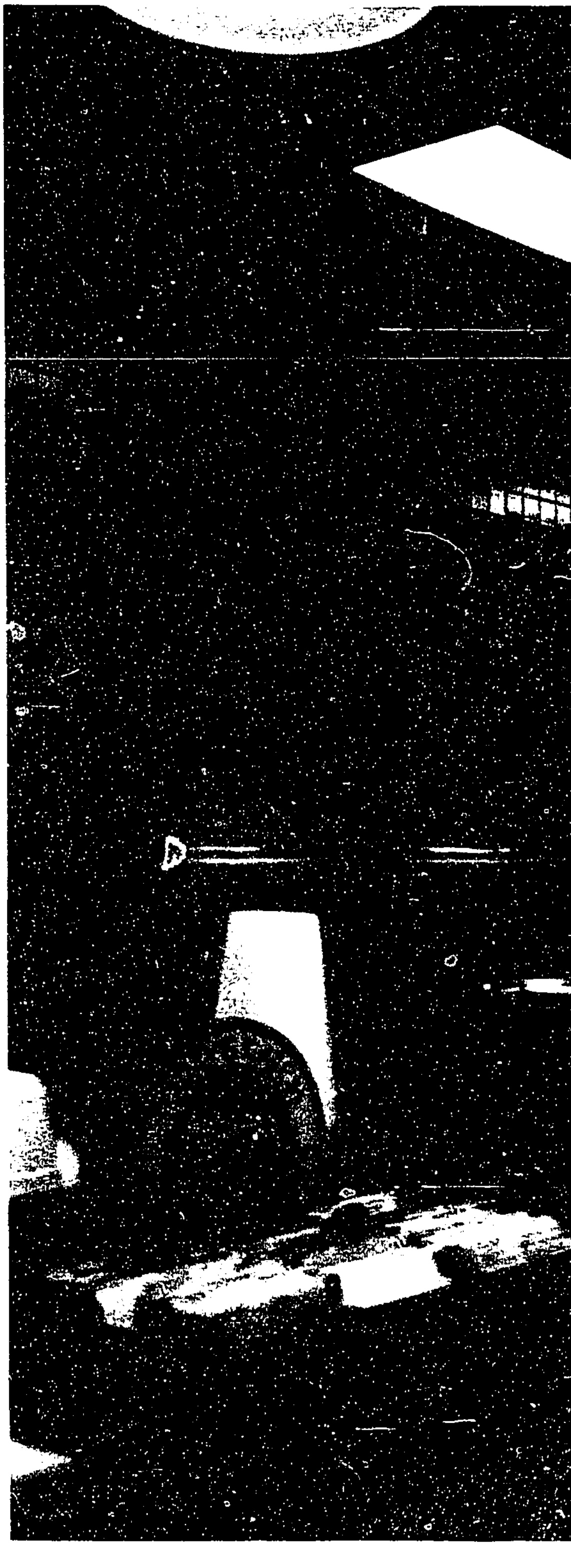
In addition to the service departments which have proven so popular with our customers, we developed a number of new, experimental food areas this year. Salad bars are being tested in a number of stores and thus far have produced extremely good results.

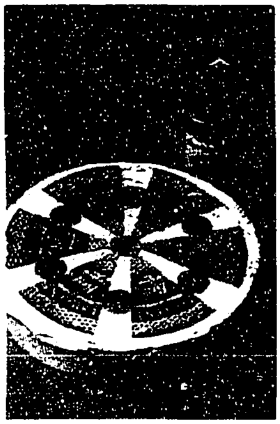
We have introduced a Cookie Heaven, an aromatic department that features on-premises manufacture of high-quality cookies in seven varieties as well as the preparation of several varieties of fudge. The Sweet Shop, adjacent to the Just Baked Department, offers a range of delicious candies, ranging from the popular priced variety to more gourmet fare.

In our produce departments, we are experimenting with ripening racks to assure only the freshest of product. Fruits which are ripening are placed into the top of the rack and carefully monitored. Once ripe, a "ripe" sticker is affixed to them and they are moved to a special section on the bottom of the rack. Thus far, sales results have been encouraging.

In the Deli Corner, we are making several varieties of sausage fresh daily right on the premises. The Butcher Block Department features an oven-ready program where busy homemakers can obtain such delicacies as veal cordon bleu, stuffed steak and crown roasts, all ready for quick-at-home cooking.

One of our more exciting departments is Good Nature, a natural foods section that features unique fruit juices, health and beauty aids and all-natural vitamins. This department is an exceptionally fine complement to our Cooks' Harvest natural grain and cereal department introduced a year ago.

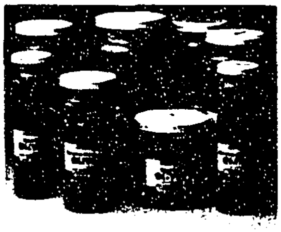




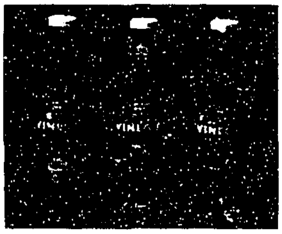
EXCELLENT CHEESES, PRESERVES AND GOURMET DELICACIES FROM AROUND THE WORLD SATISFY THE MOST SOPHISTICATED TASTES

THE BOUNTY OF OUR *COOK'S HARVEST* INCLUDES MORE THAN 250 VARIETIES OF NATURAL GRAINS, CEREALS AND SWEETS

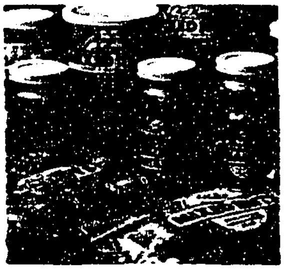
OVER 40 VARIETIES OF FRESH, FLAVORFUL SEAFOOD ARE OFFERED IN OUR *TODAY'S CATCH* DEPARTMENTS



GRAND UNION'S DISTINCTIVE PACKAGING GIVES PRIVATE LABEL PRODUCTS COMPETITIVE DISPLAY APPEAL



VARIETY OF PRODUCT IS ANOTHER HALLMARK OF OUR SUCCESSFUL PRIVATE LABEL PROGRAM



CUSTOMERS FIND IT HARD TO PICK JUST ONE FROM OUR POPULAR PACKAGED NUT LINE

MARKETING

We recently retained the service of Grulich-Koenig Advertising of Miami, Florida, a small and creative advertising agency which had been preparing our BASICS Food Warehouse advertisements.

A number of major marketing programs are currently being prepared and will be phased into the company over the next few months.

A new dimension of our marketing efforts is the sponsorship of major motion pictures on network television, primarily as a result of cooperative advertising efforts with Grand Union suppliers. It is expected that these efforts will further accelerate this year.

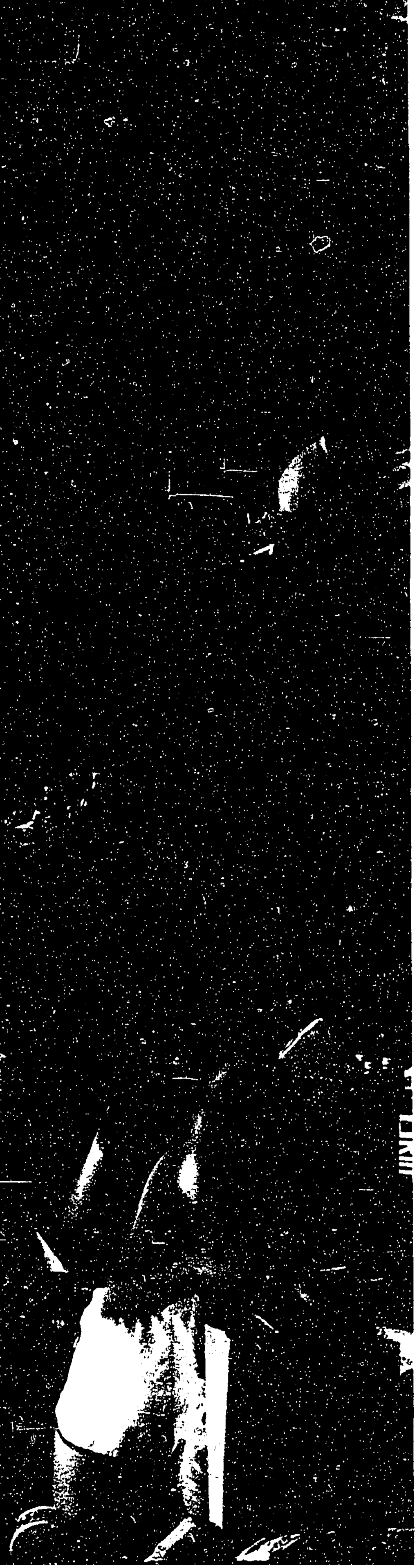
CUSTOMER SERVICE

A high level of customer service is one of our company's top priorities. To this end, we have formed a new Customer Service Department at the corporate headquarters level and are devising a number of methods to facilitate easy customer access to the company, and rapid response mechanisms back to the customer.

Customer communication forms are being placed in all our stores and we have instituted a companywide, toll-free Customer Hotline so our shoppers can communicate directly with company officials.

HUMAN RESOURCES

One of the finest qualities of Grand Union is its people. With development of new concepts and new products, the need has arisen to train our people to properly handle customer needs. To this end, we are establishing regional training centers throughout the chain.



We recently completed construction on a new audio/visual production center at corporate headquarters with the capability of preparing our own videotape and slide/tape training materials. Craftsperson training manuals have been prepared for all specialty departments and operations manuals for all new departments have been written.

Training seminars are being held on a regular basis throughout the chain to equip people with the knowledge and skills to enable the company to rapidly move ahead and serve our customers as new concepts are introduced.

PUBLIC AFFAIRS

Detrimental legislation on the national, state and local levels continues to be a main concern for the company. Over the past few years, we have seen a number of well-intentioned, but ill-conceived legislative mandates enacted which have severely hampered our ability to do business and serve our customers properly. These items have included restrictions on hours of operation, prohibitive product labeling measures and, lately, efforts to mandate the use of returnable beverage containers.

Legislation inevitably costs money and contributes to our cost of doing business at a time when we are attempting to keep food prices as low as possible.

We will continue to maintain a close watch on suggested laws in all of our operating areas and will take aggressive actions to promote healthy legislation and to thwart confiscatory and damaging legislation.

COURTEOUS, KNOWLEDGEABLE SERVICE IN ALL DEPARTMENTS IS ALWAYS NEAR AT HAND.

CUSTOMERS HELP THEMSELVES TO HIGH QUALITY AT LOW PRICES IN OUR *BASICS* FOOD WAREHOUSES LIKE THIS ONE IN HERNDON, VIRGINIA.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	52 WEEKS ENDED APRIL 2, 1983	53 WEEKS ENDED APRIL 3, 1982	52 WEEKS ENDED MARCH 28, 1981
			(Amounts in thousands)
Sales	$3,519,341	$4,137,447	$3,626,231
Cost of sales	(2,740,970)	(3,235,142)	(2,837,267)
Gross profit	778,371	902,305	788,964
Operating, administrative and general expenses (notes 5, 8 and 10)	(765,324)	(862,558)	(730.539)
Costs related to store closure program (notes 6 and 10)	(20,725)	(8,236)	—
Interest expense (notes 5, 7 and 10)	(24,784)	(22,343)	(21,358)
Interest, dividends and other income (notes 7 and 10)	12,528	20,005	14,995
Income (loss) before income taxes	(19,934)	29,173	52,062
Income tax (benefit) provision (notes 1 and 9)	(20,160)	4,521	17,735
Net income	226	24,652	34,327
Retained earnings, beginning of year	109,386	122,479	107,207
	109,612	147,131	141,534
Less cash dividends:			
Common	(3,400)	(37,700)	(19,000)
Preferred	(49)	(45)	(55)
Retained earnings, end of year	$ 106,163	$ 109,386	$ 122,479

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	APRIL 2, 1983	APRIL 3, 1982
	(Amounts in thousands)	
ASSETS		
Current assets:		
Cash and temporary cash investments (note 7)	$ 17,715	$ 13,252
Receivables, net, including amounts due from related parties (notes 6 and 10)	55,693	42,488
Inventories (note 1)	249,117	282,400
Prepaid taxes, operating supplies and other	30,740	29,173
Properties to be sold in one year (note 1)	23,141	29,456
Total current assets	376,406	396,769
Property, net (notes 1 and 4)	353,305	314,852
Notes receivable, deferred charges and other assets	22,236	31,889
Cost in excess of net assets acquired (note 1)	12,592	12,738
	$764,539	$756,248
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (note 7)	$ 26,370	$ 11,778
Accounts payable and accrued liabilities (note 6)	253,463	264,047
Income taxes (notes 1 and 9)	—	1,559
Total current liabilities	279,833	277,384
Long-term debt (note 7)	111,218	113,571
Long-term capital lease obligations (note 5)	115,938	106,922
Deferred pension obligations (notes 1 and 8)	16,684	18,345
Deferred income taxes (note 9)	18,251	20,914
Other noncurrent liabilities	14,136	7,378
	556,060	544,514
Commitments and contingencies (notes 5 and 11)		
Stockholders' equity (notes 3 and 7):		
4½% cumulative preferred stock, $50 par value; callable at $52 per share; authorized 116,000 shares; outstanding 20,366 and 21,709 shares respectively	1,018	1,085
Common stock, $50,000 par value; authorized 900 shares; issued and outstanding 626.5 shares	31,327	31,327
Additional paid-in capital	69,971	69,936
Retained earnings	106,163	109,386
Total stockholders' equity	208,479	211,734
	$764,539	$756,248

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	52 WEEKS ENDED APRIL 2, 1983	53 WEEKS ENDED APRIL 3, 1982	52 WEEKS ENDED MARCH 28, 1981
			(Amounts in thousands)
FUNDS PROVIDED:			
Net income	$ 226	$ 24,652	$ 34,327
Charges (credits) to net income not affecting working capital:			
Depreciation and amortization	47,452	45,504	37,938
Deferred income taxes	(5,559)	5,616	2,660
Funds provided from operations	42,119	75,772	74,925
Increase in long-term debt	—	1,475	—
Increase in long-term capital lease obligations	14,169	4,750	7,932
Increase (decrease) in other noncurrent liabilities	9,718	1,402	(523)
Decrease (increase) in notes receivable, deferred charges and other assets	8,382	10,442	(11,177)
Book value of property dispositions	30,256	34,417	6,524
Reduction in investments	—	—	21,361
Reduction in investment in and receivable from affiliates	—	—	27,630
	104,644	128,258	126,672
FUNDS USED:			
Acquisitions (less working capital):			
Property, plant and equipment	—	—	38,086
Other noncurrent assets	—	—	12,769
Noncurrent liabilities	—	—	(18,468)
Property additions—owned	102,135	73,185	68,604
Property additions—leased	14,158	4,750	10,195
Reduction in long-term debt	2,440	2,785	10,000
Reduction in long-term capital lease obligations	5,242	5,814	2,898
Cash dividends	3,449	37,745	19,055
Increase in investments	—	—	2,079
Increase in investment in and receivable from affiliates	—	—	780
Other, net	32	30	402
	127,456	124,309	146,400
Increase (decrease) in working capital	$ (22,812)	$ 3,949	$ (19,728)
CHANGES IN WORKING CAPITAL:			
Increase (decrease) in current assets:			
Cash and temporary cash investments	$ 4,463	$ (9,284)	$ (42,897)
Receivables	13,205	15,297	5,533
Inventories	(33,283)	(49,653)	65,597
Prepaid taxes, operating supplies and other	1,567	11,521	1,256
Properties to be sold in one year	(6,315)	18,306	(4,339)
	(20,363)	(13,813)	25,150
Increase (decrease) in current liabilities:			
Short-term debt	14,592	10,935	770
Accounts payable and accrued liabilities	(10,584)	(26,082)	43,161
Income taxes	(1,559)	(2,615)	947
	2,449	(17,762)	44,878
Increase (decrease) in working capital	$(22,812)	$ 3,949	$ (19,728)

See accompanying notes to the consolidated financial statements.

NOTE 1 Summary of Accounting Policies

The Company is a wholly-owned subsidiary of Cavenham (USA) Inc. ("Cavenham (USA)") which in turn is a wholly-owned subsidiary of Cavenham Holdings Inc. ("Holdings").

The significant accounting policies affecting the Company's financial statements are summarized below.

Fiscal Year. The Company's fiscal year ends on the Saturday nearest the last day of March. Fiscal 1982 and fiscal 1980 ended on April 2, 1983 and March 28, 1981 respectively and included 52 weeks. Fiscal 1981 ended on April 3, 1982 and included 53 weeks.

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated.

Inventory Valuation. Inventories are valued at the lower of first-in, first-out cost or market, cost being determined using the retail method for store inventories and the average cost method for warehouse and other inventories.

Property. Properties held under capital leases are capitalized net of any gains on sale and leaseback transactions and are amortized using the straight-line method over the life of the lease. Depreciation on owned property is computed principally using the straight-line method over the useful lives of the assets. Leasehold improvements are amortized over the shorter of the terms of the leases or their estimated useful lives. Properties to be sold in one year are recorded at the lower of their cost or net realizable value.

Pre-Opening Costs. Store pre-opening costs are charged to expense as incurred.

Cost in Excess of Net Assets Acquired. Cost in excess of net assets acquired relating to acquisitions after October 31, 1970 is being amortized on a straight-line basis over forty years.

Management does not believe that the remaining amounts, totalling $7,412,000, which arose from acquisitions made prior to November 1, 1970, have diminished in value and accordingly is not amortizing such amounts.

Income Taxes. The operations of the Company are included in consolidated federal income tax returns filed by Holdings. The Company's income tax provision is computed as though it filed a separate federal income tax return as adjusted in accordance with the terms of a tax sharing agreement with Holdings.

Pension Plans. The Company maintains noncontributory, trusteed pension plans covering eligible employees and a supplemental nonqualified, nontrusteed plan for certain executives. The Company's policy is to fund pension costs accrued. Pension expense for the noncontributory plans consists of normal costs plus amortization of past service costs over periods not to exceed forty years, less amortization of deferred pension obligations arising from acquisitions over a fourteen year period.

NOTE 2 Acquisition

In January 1981, the Company acquired the common stock of Cavenham Texas Inc. ("Cavtex"), a wholly-owned subsidiary of Holdings, whose principal asset was its 100% ownership of J. Weingarten, Incorporated ("Weingarten"), a retail food chain. Cavtex was acquired in exchange for the cancellation of an $8,000,000 receivable from Holdings. Immediately following the acquisition, Weingarten was merged into Cavtex, Cavtex was merged into the Company and the Cavtex cumulative preferred stock held by the Company was cancelled. The net assets of Cavtex were recorded at their historical costs.

The accompanying financial statements include the results of operations of Cavtex from the date of acquisition. Unaudited pro forma sales and net income of the Company for fiscal 1980, as though the acquisition had been made at the be-

ginning of the year, are $4,110,000,000 and $33,600,000, respectively.

NOTE 3 Stockholders' Equity

During fiscal 1980 through 1982, the Company purchased and retired a total of 3,353 shares of its 4½% cumulative preferred stock. The excess of the shares' book value over their purchase price has been recorded as additional paid-in capital, aggregating $89,000 over the three-year period.

NOTE 4 Property

Property, at cost, consists of the following:

	APRIL 2, 1983	APRIL 3, 1982
	(in thousands)	
Property owned:		
Land	$ 4,735	$ 7,897
Buildings	10,426	14,556
Fixtures and equipment	330,416	286,857
Leasehold improvements	102,122	72,966
	447,699	382,276
Less: accumulated depreciation and amortization	193,430	160,076
Property owned, net	254,269	222,200
Property leased:		
Land and buildings	119,215	113,544
Equipment	8,646	4,146
	127,861	117,690
Less: accumulated amortization	28,825	25,038
Property leased, net	99,036	92,652
Property, net	$353,305	$314,852

NOTE 5 Property Leases

The Company operates principally in leased stores and distribution facilities and, in most cases, holds renewal options with varying terms. Many of the leases contain escalation clauses which provide for increased rentals based upon increases in real estate taxes and lessors' operating expenses.

The following is a schedule by year of future minimum payments under capital leases together with the present value of the net minimum lease payments as of April 2, 1983:

	(in thousands)
1983	$ 16,846
1984	16,615
1985	16,076
1986	16,014
1987	16,196
Later years	255,362
Total minimum lease payments	337,109
Less: amount representing estimated executory costs included in total minimum lease payments	10,006
Net minimum lease payments	327,103
Less: amount representing interest	207,234
Present value of net minimum lease payments	119,869
Less: current portion of obligations under capital leases	3,931
Long-term capital lease obligations	$115,938

The minimum lease payments shown above do not include future minimum sublease rental income of $10,312,000 under non-cancellable subleases or payments for contingent rentals under certain store leases on the basis of percentages of sales in excess of stipulated amounts.

The following is a schedule by year of future minimum rental payments required, less minimum sublease rental income, under operating leases that have initial lease terms in excess of one year as of April 2, 1983:

	(in thousands)
1983	$ 39,385
1984	36,481
1985	34,235
1986	32,866
1987	31,578
Later years	267,606
Total minimum payments	442,151
Less: sublease rental income	35,819
Net minimum rentals	$406,332

The following schedule shows the composition of total rental expense for all operating leases:

	52 WEEKS ENDED APRIL 2, 1983	53 WEEKS ENDED APRIL 3, 1982	52 WEEKS ENDED MARCH 28, 1981
	(in thousands)		
Minimum rentals	$37,656	$46,583	$39,091
Contingent rentals	5,741	6,607	5,452
Less: sublease rental income	(5,846)	(5,404)	(4,960)
	$37,551	$47,786	$39,583

NOTE 6 Receivables, Accounts Payable and Accrued Liabilities

Receivables consist of the following:

	APRIL 2, 1983	APRIL 3, 1982
	(in thousands)	
Trade and other receivables	$20,154	$26,095
Note receivable	8,962	—
Less: allowance for doubtful accounts	(354)	(456)
	28,762	25,639
Due from related parties:		
Tax sharing agreement	16,419	—
Real estate agreement and other	10,512	16,849
	26,931	16,849
Total	$55,693	$42,488

Accounts payable and accrued liabilities consist of the following:

	APRIL 2, 1983	APRIL 3, 1982
	(in thousands)	
Accounts payable	$149,302	$153,365
Accrued liabilities:		
Payroll including compensated absences	29,178	31,414
Taxes other than income taxes	19,790	20,094
Self-insurance	12,645	23,310
Other	42,548	35,864
Total	$253,463	$264,047

During the year, the Company recorded an aggregate provision of $9,977,000 relating to store closure programs undertaken during fiscal 1982 which are not covered under an agreement with Holdings described in Note 10.

NOTE 7 Debt

Debt consists of the following:

	APRIL 2, 1983	APRIL 3, 1982
	(in thousands)	
Short-term notes payable to banks, interest at 9 3/8% to 9 7/8% due through April 29, 1983	$ 24,000	$ 11,000
8.95% Promissory Note	95,000	95,000
8% Sinking Fund Debentures, less unamortized discount of $722,000 and $726,000 resulting in an effective interest rate of 10%	11,678	11,742
7 1/4% Subordinate Cumulative Income Debentures, less unamortized discount of $359,000 and $443,000 resulting in an effective interest rate of 13%	3,654	3,837
Mortgages, interest at 9% to 18%	3,256	3,770
	137,588	125,349
Less: amounts due within one year	26,370	11,778
Long-term debt	$111,218	$113,571

The 8.95% Promissory Note agreement requires annual repayments of principal of $5,000,000 from 1984 to 1985, $6,150,000 from 1986 to 1998 and $5,050,000 in 1999.

During fiscal 1981 and 1982, the Company acquired $2,600,000 of its 8% Sinking Fund Debentures due 1996 in anticipation of its sinking fund requirements for 1982 through 1984 resulting in gains totalling $1,145,000. Subsequent to the end of fiscal 1982, the Company acquired $10,200,000 principal amount of

its 8% Sinking Fund Debentures due 1996 in exchange for an equivalent amount of 9½% Debentures due 1991. The effect of this exchange was to eliminate the sinking fund requirements and certain restrictions on the incurrence of long-term debt.

The 7¼% Subordinate Cumulative Income Debentures require quarterly purchase fund payments of $100,000 in fiscal 1983 through 1986 and $2,413,000 in June 1987.

The above agreements contain various restrictions on the Company including provisions with respect to long-term debt and the payment of dividends. At April 2, 1983 approximately $18,000,000 of the Company's retained earnings were free of dividend restrictions.

Maturities of the above debt after considering the aforementioned exchange over the next five years are $26,370,000, $5,427,000, $5,428,000, $6,581,000 and $8,597,000, respectively.

The Company has lines of credit with a number of banks totalling $108,000,000 of which $64,000,000 is extended on a committed basis. To the extent that compensating balances are maintained, a substantial portion of such balances would normally be covered by incompleted transactions with banks. The average amount of short-term borrowings outstanding during fiscal 1982 approximated $24,000,000 at an average interest rate of 9.7%. The maximum amount of short-term borrowings payable to banks, outstanding at any time during fiscal 1982, was $71,000,000.

NOTE 8 Pension Plans

Pension expense under the Company's pension plans described in Note 1 was $7,512,000, $7,506,000 and $9,729,000 for fiscal 1982, fiscal 1981 and fiscal 1980, respectively.

Pension expense for fiscal 1981 was reduced by $2,434,000 to reflect a change in the actuarial assumed rates of return on plan net assets from 6½% and 8% in fiscal 1980 to 8½% in fiscal 1981.

A comparison of accumulated plan benefits and plan net assets as of the latest available actuarial valuation date is as follows:

	APRIL 1, 1982	APRIL 1, 1981
	(in thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	$107,128	$103,588
Nonvested	7,244	9,647
	$114,372	$113,235
Plan net assets available for benefits	$ 98,236	$110,255
Recorded liability for unfunded vested benefits	18,345	20,868
	$116,581	$131,123

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8½% at both April 1, 1982 and April 1, 1981.

NOTE 9 Income Taxes

The components of the provision (benefit) for income taxes are as follows:

	52 WEEKS ENDED APRIL 2, 1983	53 WEEKS ENDED APRIL 3, 1982	52 WEEKS ENDED MARCH 28, 1981
			(in thousands)
Federal income taxes:			
Currently payable (receivable)	$(23,629)	$ 3,568	$13,854
Deferred, resulting from:			
Excess of tax over book depreciation	3,569	2,975	2,576
Self-insurance expense	1,205	(3,810)	(1,649)
Pension expense	583	(1,482)	205
Store closure provision	(1,983)	—	—
Other	495	1,403	2
State income taxes	(400)	1,867	2,747
Total income tax provision (benefit)	$(20,160)	$ 4,521	$17,735

The reconciliation of the provision (benefit) for income taxes computed at the federal statutory rate to the reported provision (benefit) for income taxes is as follows:

	52 WEEKS ENDED APRIL 2, 1983	53 WEEKS ENDED APRIL 3, 1982	52 WEEKS ENDED MARCH 28, 1981
			(in thousands)
Provision (benefit) computed at federal statutory tax rate	$ (9,170)	$13,420	$23,948
Increase (decrease) in the provision resulting from:			
Tax sharing benefits	—	(4,521)	—
Dividends received deduction	—	(66)	(1,891)
Investment tax credit	(4,550)	(4,800)	(5,055)
Income taxed at capital gains rate	—	(832)	(1,231)
Adjustment of prior years' taxes	(6,500)	—	—
State and local taxes, net of federal tax benefits	(215)	1,008	1,483
Other	275	312	481
Total income tax provision (benefit)	$(20,160)	$ 4,521	$17,735

During fiscal 1981, the Company entered into a new three-year tax sharing agreement with Holdings, whereby the Company receives tax sharing benefits from Holdings not to exceed 50% of the Company's tax provision. During fiscal 1982, the Company recorded tax carryback benefits which are included in amounts due from Holdings as disclosed in Note 6.

During fiscal 1982, certain tax amounts recorded in accounting for a purchase transaction in a prior year have been adjusted to reflect changed circumstances.

NOTE 10 Transactions with Affiliates

Included in other income were the following transactions with affiliates:

	52 WEEKS ENDED APRIL 2, 1983	53 WEEKS ENDED APRIL 3, 1982	52 WEEKS ENDED MARCH 28, 1981
			(in thousands)
Consideration under real estate agreement with Holdings	$10,146	$16,156	$ —
Interest and dividend income	—	—	4,720
Redemption of Holdings preferred shares	—	—	6,828
	$10,146	$16,156	$11,548

During fiscal 1981, the Company entered into an agreement with Holdings relating to certain real estate transactions. Under the agreement, Holdings has agreed to pay the Company an amount equal to any losses or other costs incurred in connection with the closure of 222 retail stores and with the disposition of other facilities by the Company as part of a program of concentrating and developing the Company's operations within certain geographic areas. In consideration for such payments Holdings shall be entitled to any profit realized in connection with the sale, use or further development of these and certain other properties. During fiscal 1982, the Company incurred direct costs associated with the store closure program, net of gains on sales of property and lease rights, of $10,748,000 which are reimbursable by Holdings, reduced by operating profits of $602,000 to which Holdings is entitled. See Note 6 for additional information concerning costs related to store closure programs not covered by the agreement with Holdings.

During fiscal 1980, Holdings acquired from the Company 671,171 common shares of Diamond International Corporation approximating $21,361,000, for a comparable amount of Holdings preferred stock redeemable at $42 per share.

During the latter part of fiscal 1980, the preferred shares were redeemed at a gain of $6,828,000.

In fiscal 1980 the Company received income from management services rendered to Cavtex prior to the merger totalling $1,750,000, which reduced operating, administrative and general expenses for the period. Interest expense for fiscal 1980 includes $1,820,000 related to notes payable to affiliates. For additional information concerning transactions with affiliates see Notes 6 and 9.

NOTE 11 Contingencies

In connection with the Company's acquisition in 1978 of Colonial Stores Incorporated ("Colonial"), a retail food chain, the Federal Trade Commission has initiated a proceeding against the Company, Cavenham (USA), Holdings and Colonial contending that the acquisition violates the antimerger provisions of the federal antitrust laws. In an Initial Decision filed on October 30, 1981, the Administrative Law Judge found that the acquisition of Colonial violated the law on the ground that the Company was an actual potential entrant into the geographic areas in which Colonial operated and ordered that the Company divest itself of Colonial within one year and that it be barred for a period of ten years from acquiring any retail food business without the Commission's prior approval. The Company has appealed the decision of the Administrative Law Judge to the Federal Trade Commission. No order is final until all appeals have been exhausted. The management of the Company believes it has presented good and meritorious grounds to support its appeal to the Commission.

The Company has been named as a co-defendant in numerous similar antitrust actions brought on by producers and feeders of cattle. Each of the actions alleges violations by the defendants of the federal antitrust laws in connection with the purchase and sale of beef and seeks damages and injunctive relief. Certain of these lawsuits were previously dismissed, but have been reinstated on appeal. All of these actions have been consolidated for pre-trial proceedings before the United States District Court in the Northern District of Texas. The Company has filed answers denying the material allegations of the complaints in all of the consolidated lawsuits. All of the retail defendants, including the Company, moved for summary judgment seeking dismissal of plaintiffs' treble damage wholesale price fixing claims which motion has been granted. Plaintiffs' appeal of the summary judgment is presently pending before the United States Court of Appeals for the Fifth Circuit. It is not possible to predict with any degree of certainty the ultimate outcome of any of these lawsuits since, among other things, the conduct of the other defendants as alleged co-conspirators could affect the liability of the Company. The management of the Company believes that the Company has good and meritorious defenses to each of such lawsuits.

A purported class and derivative action has been brought against the Company and certain of its parents seeking the rescission of the merger in which Cavenham (USA) acquired the remaining 19% minority interest in the Company's common stock and the recovery of unspecified damages, costs and attorneys' fees. The Company and its parents believe that its actions have been entirely proper and lawful, and intend to defend the lawsuit vigorously.

A purported class action is pending against the Company seeking treble damages and injunctive relief alleging violations by the Company and other co-defendants of the Federal antitrust laws in connection with the termination of the promotional offer to double the discount for manufacturers' cents-off coupons in New Jersey between September 18 and 26, 1982. The Company has answered, denying the material allegations of the complaint. It is not possible to predict with any degree of certainty the ultimate outcome of this lawsuit since, among other things, the conduct of the other defendants as alleged co-conspirators could affect the liability of the Company. The

management of the Company believes that the Company has good and meritorious defenses to the lawsuit.

Several investigations are currently being conducted by agencies of the federal and certain state governments into the propriety of certain pricing and promotional practices within the supermarket industry in Nassau and Suffolk Counties in New York as well as Connecticut and New Jersey. The Company is engaged in business in the geographic areas in which these investigations are being conducted and is responding to these government agencies. The Company has no reason to believe it has engaged in wrongful conduct. However, it is not possible to predict with any degree of certainty whether the Company will be the subject of proceedings in connection with these investigations or the ultimate outcome of these investigations since, among other things, the investigations are in their preliminary stages and the conduct of others subject to the investigations could affect the Company's position.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of The Grand Union Company:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of The Grand Union Company and its subsidiaries at April 2, 1983 and April 3, 1982, and the results of their operations and the changes in their financial position for each of the three years in the period ended April 2, 1983, in conformity with generally accepted accounting principles applied on a consistent basis. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Hackensack, New Jersey
May 12, 1983

SUMMARY OF FINANCIAL INFORMATION (UNAUDITED)

FIVE YEAR INFORMATION	52 WEEKS ENDED APRIL 2, 1983	53 WEEKS ENDED APRIL 3, 1982	52 WEEKS ENDED MARCH 28, 1981 (a)	52 WEEKS ENDED MARCH 29, 1980	52 WEEKS ENDED MARCH 31, 1979 (a)
HISTORICAL INFORMATION					*(in thousands)*
Sales	$3,519,341	$4,137,447	$3,626,231	$3,137,612	$2,398,944
Gross profit	$ 778,371	$ 902,305	$ 788,964	$ 687,915	$ 537,474
Net income	$ 226	$ 24,652	$ 34,327	$ 30,669	$ 21,863
Net income as a percent of sales	nil	0.60%	0.95%	0.98%	0.91%
Dividends paid	$ 3,449	$ 37,745	$ 19,055	$ 15,702	$ 6,470
Working capital	$ 96,573	$ 119,385	$ 115,436	$ 135,164	$ 116,807
Total assets	$ 764,539	$ 756,248	$ 784,799	$ 710,477	$ 645,252
Long-term debt	$ 111,218	$ 113,571	$ 114,758	$ 119,179	$ 88,980
Capital lease obligations	$ 115,938	$ 106,922	$ 107,896	$ 93,050	$ 66,652
Total long-term obligations	$ 227,156	$ 220,493	$ 222,654	$ 212,229	$ 155,632
Stockholders' equity	$ 208,479	$ 211,734	$ 224,857	$ 209,602	$ 194,832
HISTORICAL INFORMATION ADJUSTED TO AVERAGE FISCAL 1982 DOLLARS					
Constant Dollar Information					
Sales	$3,519,341	$4,350,733	$4,174,315	$4,071,358	$3,497,111
Net loss	$ (26,007)	$ (15,548)	$ (16,209)	$ (21,692)	—
Net assets at year end	$ 281,913	$ 305,648	$ 352,491	$ 349,832	—
Purchasing power gain on net monetary items	$ 15,654	$ 31,727	$ 46,357	$ 63,019	—
Average consumer price index	291.7	277.4	253.4	224.8	200.1
Current Cost Information					
Net loss	$ (23,387)	$ (10,534)	$ (10,897)	$ (19,184)	—
Net assets at year end	$ 270,560	$ 288,676	$ 322,448	$ 327,332	—
Excess of increase in general price level over increase in specific prices	$ (1,561)	$ 3,314	$ 13,705	$ 39,579	—

(a) Includes results of Cavenham Texas Inc. and Colonial from dates of acquisition (see Note 2 to the consolidated financial statements).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollar amounts in millions)

Overview

The economic climate in which the Company has been operating during the past three years has been characterized by a general recessionary environment and extreme competitiveness in the food retailing industry. In addition, during the most recent fiscal year, the decline in the rate of food price inflation has been more rapid than the decline in the rate of inflation for operating costs. During this three year period, the Company acquired Weingarten (January 1981), undertook a major restructuring program designed to consolidate a profitable operating base in selected geographic areas, and began implementation of a plan which focuses on development of full service food markets as the core of the Company's future operations. As part of the restructuring program, the Company closed 290 stores which were unprofitable or which would not fit within the long-term strategy of the Company. During fiscal 1982, the

Company's capital expenditure program was $116.3 of which approximately 75% was used to convert 72 supermarkets to food markets. The Company's development program over the next several years will continue to emphasize the conversion of existing supermarkets to food markets.

During the past three years, the Company experienced sales increases of 15.6% and 14.1% in fiscal 1980 and 1981 followed by a 14.9% decline in fiscal 1982 for an aggregate net increase in sales of 12.2%. Contributing to the aggregate sales growth were the acquisition of Weingarten, the development of food markets and the effects of inflation. Offsetting these increases were the effects of store closures and, to a lesser extent, the sales decline in the Company's conventional supermarkets which have not been renovated as part of the development program.

The decline in net income during the past two years is primarily attributable to certain temporary adverse impacts relating to the major restructuring and development programs undertaken during that period as well as the general economic climate and competitive conditions. The increase in earnings for fiscal 1980 was attributable to acquisitions and to consolidation and containment of overhead costs. Following is a more comprehensive review of the Company's operations for the last three years and an overview of the Company's liquidity and capital resources.

Operations

Sales trends are reflected in the following table:

FISCAL YEAR	Annual Sales	Increase (Decrease) From Preceding Year Amount	Percent
1982	$3,519.3	$(618.1)	(14.9)%
1981	$4,137.4	$ 511.2	14.1%
1980	$3,626.2	$ 488.6	15.6%

The decrease in sales of 14.9% during fiscal 1982 was primarily due to (a) the closure of 290 stores since the beginning of fiscal 1981 (14.7%), (b) a 52 week fiscal 1982 as compared to a 53 week prior year (2.0%) and (c) lower sales volume in supermarkets (5.8%), offset by an increase in volume in food markets (4.5%) and the effects of inflation (3.1%). The reduced sales volume reflects competitive and economic conditions as well as the temporary adverse effects caused by the conversion of supermarkets to food markets which were under various stages of construction during fiscal 1982. Sales in food markets have shown favorable growth trends following conversion.

The sales increase of 14.1% for fiscal 1981 is attributable to (a) inclusion of the sales of Weingarten for the entire fiscal year (12.9%), (b) the effects of inflation (2.8%) and (c) the inclusion of the 53rd week in the fiscal year (2.0%), partially offset by reduced sales volume caused by the closure of 150 stores (3.6%).

The sales increase of 15.6% for fiscal 1980 is attributable to (a) the acquisition of Weingarten (4.4%), (b) the effects of inflation (9.5%) and (c) increased volume (1.7%) reflecting an increase in selling area and the opening of higher volume stores.

Gross profit dollars have fluctuated during the past three years primarily due to the changes in sales. Gross profits as a percentage of sales have remained relatively constant as reflected in the following table:

FISCAL YEAR	Gross Profits	Percent of Sales
1982	$778.4	22.1%
1981	$902.3	21.8%
1980	$789.0	21.8%

The fluctuations in operating, administrative and general expenses are primarily attributable to the change in the number of stores which the Company has operated during the past three years. In addition, the inflationary impact on operating costs, particularly labor, utilities and advertising, has been at a rate greater than food price inflation. As a result, operating, administrative and general expenses have increased as a percentage of sales as reflected in the following table:

FISCAL YEAR	Operating, Administrative and General Expenses	Percent of Sales
1982	$765.3	21.8%
1981	$862.6	20.8%
1980	$730.5	20.1%

Other income for fiscal 1982 reflects $10.2 of reimbursement from C- venham Holdings Inc. ("Holdings") under the agreement (which is described at Note 10 to the consolidated financial statements) related to the restructuring program as compared to $16.2 of reimbursement in the prior year. For further details of other income and the Holdings agreement see Notes 7 and 10 to the consolidated financial statements. The increase in other income for fiscal 1980 is due to a $6.8 gain on the redemption of the preferred stock of Holdings.

Store closure costs during fiscal 1982 includes $10.0 relating to the costs of closure of 76 stores not part of the agreement with Holdings.

During fiscal 1982, the Company recorded income tax benefits of $20.2 as compared to income tax expense of $4.5 in the prior year. The income tax benefit for fiscal 1982 includes investment tax credits and benefits associated with carrybacks of fiscal 1982 losses aggregating $13.7 and benefits relating to adjustments of prior years' taxes. The effective tax rate for fiscal 1981 of 15.5% decreased from a 34.1% rate in the previous year primarily due to a new three year tax sharing agreement with Holdings.

Liquidity and Capital Resources

During the past three years, capital expenditures totalled $243.9 and additional property acquired under capital leases was $29.1. Dividends paid amounted to $60.3, and the Company acquired Weingarten for $32.4. During this same period, funds provided by operations amounted to $192.8. Additional funds for the aforementioned programs were provided primarily by property disposals, reductions in investments and the utilization of working capital including short-term borrowings.

The Company's capital development program for fiscal 1983, including equipment leases, is expected to be $80.0. Funds for this program are expected to be generated by operations, property disposals, long-term debt and leasing transactions.

STATEMENT OF INCOME ADJUSTED FOR CHANGING PRICES (UNAUDITED)

		AVERAGE 1982 DOLLARS	
	HISTORICAL COSTS	CONSTANT DOLLARS	CURRENT COSTS
			(in thousands)
Sales	$3,519,341	$3,519,341	$3,519,341
Cost of sales	2,740,970	2,750,908	2,750,559
Gross profit	778,371	768,433	768,782
Operating, administrative and general expenses*	(765,324)	(781,619)	(779,348)
Costs related to store closure program	(20,725)	(20,725)	(20,725)
Interest expense	(24,784)	(24,784)	(24,784)
Other income	12,528	12,528	12,528
(Loss) before income taxes	(19,934)	(46,167)	(43,547)
Income taxes	20,160	20,160	20,160
Net income (loss)	$ 226	$ (26,007)	$ (23,387)
Purchasing power gain on net monetary items		$ 15,654	$ 15,654
Increase in general price level of inventories and property held during the year			$ 25,612
Effect of increase in specific prices (current costs)**			24,051
Excess of increase in specific prices over increase in general price level			$ 1,561

**The straight line method of depreciation was used for presentations of the effects of changing prices and is the principal method used in the primary statements. Depreciation and amortization expenses calculated for the primary statements, general inflation and specific prices were $47,584, $63,879 and $61,608 respectively.*

***At April 2, 1983, current cost of inventory was $249,287 and current cost of property, net of accumulated depreciation, was $416,553.*

EXPLANATORY NOTES

The supplemental information reflects the effects of changing prices on the financial statements in accordance with the provisions of Financial Accounting Standards Board Statement 33 (FASB 33). The disclosures are intended to present the effects of increases in the general price level on the purchasing power of the dollar (constant dollar) and the effects of specific price changes in certain assets used by the Company (current costs) as compared to the primary financial statements (historical costs). Because of the uncertainty as to which method of inflation accounting is most appropriate, the FASB requires that both methods be presented.

Constant dollar accounting is a method of reporting financial statement amounts in dollars each of which is estimated to have the same general purchasing power. Such amounts are measured by using the average Consumer Price Index for All Urban Consumers (CPI-U) for the current fiscal year. Under this method, depreciation expense and cost of sales are increased as a result of the increase in the CPI-U level since the date that the related property and inventories were acquired.

Current cost accounting is a method of measuring and reporting assets and expenses related to the use or sale of such assets at their current costs or lower recoverable amounts as of the balance sheet date. The current cost of inventory closely approximates the amount reported in the primary financial statements due to the relatively short time lag between inventory purchases and the subsequent sale. The current costs of property were determined using specific indices derived from governmental and private organizations.

FASB 33 further provides that income tax expense should not be restated since income taxes are determined and payable on the basis of historical income.

The gain in purchasing power of net monetary liabilities is derived from the concept that monetary assets decreased and monetary liabilities increased in purchasing power value during the period due to inflation. Purchasing power gain has been computed on average net monetary liabilities multiplied by the change in CPI-U for the year.

The excess of the increase in specific prices over the increase in general price levels results from the specific price increases actually experienced by the Company, compared to the effects of general inflation measured by the CPI-U.

The concepts and procedures established by the FASB for the preparation of these disclosures are complex and require the use of assumptions and estimates based on available information. This information therefore should be viewed only as an approximation of inflationary effects.

SELECTED QUARTERLY DATA (UNAUDITED)

		1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL
						(in thousands)
Sales	1982	$1,096,513	$806,714	$811,869	$804,245	$3,519,341
	1981	$1,283,094	$954,903	$939,794	$959,656	$4,137,447
Gross Profit	1982	$ 239,226	$179,204	$179,972	$179,969	$ 778,371
	1981	$ 279,943	$207,974	$207,080	$207,308	$ 902,305
Net income (loss)	1982	$ (3,175)	$ 8,940	$ (1,871)	$ (3,668)	$ 226
	1981	$ 8,465	$ 6,855	$ 6,951	$ 2,381*	$ 24,652

**A reduction in the estimated effective tax rate resulted in an increase of $1,100,000 in net income during the fourth quarter of fiscal 1981.*

DIRECTORS

Patrick A. Deo
Chairman of the Board and
Chief Executive Officer

Thomas R. Doyle
Executive Vice President (Retired)

Ian M. Duncan
Executive Vice President and
Chief Financial Officer,
Cavenham Holdings Inc.

Roland A. E. Franklin
Chairman of the Board,
President and Chief
Executive Officer,
Cavenham Holdings Inc.

Bowman Gray III
Executive Vice President,
Cavenham Holdings Inc.

Henry T. Johnson
Executive Vice President

William A. Louttit
Executive Vice President

Charles J. Marsden
Executive Vice President and
Chief Financial Officer

Joseph J. McCaig
President and Chief Operating Officer

Caryle J. Sherwin
Executive Vice President and
Assistant to the President

Louis Sherwood
Senior Vice President

Earl R. Silvers, Jr.
Vice President (Retired)

Vincent J. Veninata
Senior Vice President

Jane von der Heyde
Vice President, Secretary and
General Counsel,
Cavenham Holdings, Inc.

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Chief Executive Officer

Joseph J. McCaig
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Henry T. Johnson
Executive Vice President,
Merchandising and Marketing

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Executive Vice President,
Atlanta-based Operations

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Executive Vice President and
Chief Financial Officer

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Elmwood Park-based Operations and
Assistant to the President

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Vincent J. Veninata
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Administrative Services

James L. Zahner
Senior Vice President,
Management Information
Systems and Logistics

Henry S. Addison
Vice President, Carolina Region

Kenneth A. Brown
Vice President,
Eastern Region

Jack Calderone
Vice President, Meat Merchandising

Kristine M. Hammatt
Vice President,
Corporate Planning and Secretary

James E. Herlihy
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Michael J. Larkin
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New York Region

J. Barron Leeds
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Service Departments

Robert E. Mohel
Vice President,
Product Development and Quality Control

Russell W. Schroeder
Vice President,
Management Information Systems

David A. Simms
Vice President,
Personnel for Atlanta-based Operations

Bryan Springthorpe
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